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DRINKING WATER
STATE REVOLVING FUND
DRAFT INTENDED USE PLAN
FOR THE
STATE OF IOWA
FISCAL YEAR 2004



Iowa Department of Natural Resources
Environmental Services Division
November 17, 2003

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I. INTRODUCTION

The State of Iowa presents its Intended Use Plan (IUP) for all funds available in the Drinking Water State Revolving Fund (DWSRF) during State Fiscal Year (SFY) 2004. This plan is based on anticipated use of existing reserved and revolved funds available in the DWSRF loan program for assisting drinking water systems in financing infrastructure improvement projects and maintaining compliance with Safe Drinking Water Act requirements. A capitalization grant of \$15,335,400 is anticipated for fiscal year 2004 to provide loans for projects shown in this IUP and to fund the identified set-asides.

II. DWSRF FUNDS

This IUP is based upon the DWSRF allotment available to Iowa for federal fiscal year (FFY) 2004 by Congressional appropriation. The State has applied for all capitalization grants available from appropriations made through FFY 2003, and has provided the required 20% match for these capitalization grants through bonding. Federal funds available to Iowa's DWSRF loan program for FFY 2004 are estimated at \$15,335,400. The State of Iowa intends to apply for and match the FFY 2004 capitalization grant.

State matching funds in the amount of 20% of the federal contribution will be provided through an Iowa Finance Authority (IFA) bond issue. The Iowa Finance Authority was created for the purpose of funding public infrastructure projects within Iowa. At the direction of the Iowa legislature, IFA issues bonds for various state agency purposes and has served as the mechanism for operating the Clean Water State Revolving Fund since 1988 and the DWSRF since 1998. The roles and responsibilities of IFA and the Iowa Department of Natural Resources (IDNR) with respect to the DWSRF are described in a 28-E Agreement signed in July of 1998 and kept on file in the Wallace State Office Building in Des Moines, Iowa.

It is the intent of this plan to provide funds to loan applicants with the FFY 2004 capitalization grant, state match money, funds currently in the DWSRF, and, if necessary, leveraged or transferred funds. Chart 1 Part 4 shows a total loan need of \$36,880,000 for new FFY 2004 projects. These projects will be funded through the Construction Fund and the Equity Fund.

III. FISCAL YEAR 2004 PROJECT PRIORITY LIST

The management of the State's revolving loan fund program, including development of a project priority list for loan assistance, was developed according to Part 567 of the Iowa Administrative Code, Chapter 44. This IUP indicates the intent to provide funds to projects ranked in priority order according to scoring criteria contained in Chapter 44 of the Iowa Administrative Code. Appendix B constitutes the State's project priority list.

Projects will be funded as ranked on the project priority list. If projects identified on the list are unable to proceed towards construction within the time limits required by EPA and Chapter 44, these projects will not be funded. Adjustment to the list of fundable projects will be made, if necessary, to assure that at least 15% of the project funds are available to systems serving fewer than 10,000 persons as

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specified in Section 1452(a)(2) of the Act. Loans may be made for up to 100% of the project cost if they are eligible for funding based on engineering, environmental, and financial review and project readiness to proceed as described above.

A. UNFUNDED PRIOR YEAR'S PROJECTS

All projects from prior years that have not entered into a binding loan commitment are included in this IUP. Projects identified in this IUP for assistance in FY 1998, 2001, 2002, and 2003 are shown in Chart 1 Parts 1, 2, and 3. Based on available uncommitted funds as of July 1, 2003, it is Iowa's intention to make DWSRF loans to one FY 1998 project, three FY 2001 projects, 16 FY 2002 projects, and 16 FY2003 projects during FY 2004.

B. SEGMENTS OF PREVIOUSLY FUNDED PROJECTS

State rules provide that subsequent segments of a project which has previously received funding priority or assistance be placed on the project priority list with the original project score. There are no applications for segmented projects in FY 2004.

C. NEW PROJECTS

The Department received 30 new applications for loan assistance during FY 2004. All of these applications except the City of Lockridge, which did not submit an engineering report, were considered eligible and are included in Chart 1, Part 4 for funding assistance. The Storm Lake and Oakville applications were withdrawn. The cutoff date of September 1, 2003 was enforced for project applications; that is, all applications received prior to this date were considered for funding in FY 2004.

Only projects on Chart 1 are considered fundable and projected to receive loans. The priority rankings for the new FY 2004 projects (Chart 1, Part 4) are shown in Appendix B.

D. SUPPLEMENTAL LOANS

Supplemental loans for projects listed in previously approved IUPs are added to the IUP as they are requested unless the additional funds will be used for improvements that would significantly change the scope of the project. Changes requiring additional environmental review are considered significant. Supplemental loans will not be provided for changes that would lower the original score of the project. No supplemental loans have been requested in FY 2004

E. SUMMARY OF CHART 1

Based on the assumptions previously stated for DWSRF funding, there are 27 projects identified for loan assistance in FY 2004, in addition to 36 projects identified for FY 1998 through FY 2003 that have not yet entered loan agreements. These projects appear on Chart 1 by fiscal year.

F. CHART 2: INTENDED USE PLAN CONTINGENCY PROJECTS

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In the event that projects identified for funding in the IUP do not attain readiness for a loan commitment by projected dates, these delayed projects may be bypassed. Other projects may be added to Chart 1 or Chart 2 to be funded based on the State's implementation rules for the DWSRF program (567 IAC 44). Loan applications in excess of available DWSRF assistance may be placed on the Contingency List (Chart 2) according to priority. No projects are proposed for Chart 2 at this time.

IV. LONG-TERM AND SHORT-TERM GOAL STATEMENTS

A. LONG-TERM GOALS

- Protect public health by ensuring that primary drinking water standards are met.
- Manage a perpetual program to provide financial assistance to communities and other eligible applicants for the purposes of constructing facilities to properly and adequately treat drinking water, to protect source water for drinking water systems, and to ensure that loan recipients are able to provide safe drinking water at a reasonable cost for the foreseeable future.
- Ensure the long-term viability of existing and proposed water systems.
- Provide financial assistance in the form of low-interest loans while assuring the perpetuity of the fund.
- Allocate financial assistance in a priority manner based upon the scoring criteria outlined in Chapter 44 of Part 567 of the Iowa Administrative Code.
- Apply program requirements which are simple, understandable, applicable to all projects, and the fullest extent possible are not burdensome to the recipients of assistance.
- Maintain mechanisms for funding the on-going administration of the program if federal funding is eliminated.

B. SHORT-TERM GOALS

- Provide loans to assist water systems in improving drinking water quality.
- Administer the State Revolving Fund program consistently with federal statute, regulation, and guidance, and in accordance with state law and promulgated rules.
- Commit loan funds to fully fund as many recipients as possible in accordance with the state scoring criteria, this IUP, staff resources, and available funding.
- Make loan commitments equal to 120% of the federal capitalization grant payments within twelvemonths of federal grant payment dates.

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- Provide state funds through bonding in the amount required to provide the 20% match for capitalization grants received for FY 2004.
- Annually evaluate current demand to see if leveraging is necessary.
- Manage the DWSRF funds to maximize their use and impact through sound financial management.

V. INFORMATION ON THE DWSRF ACTIVITIES TO BE SUPPORTED

A. ALLOCATION OF FUNDS

Allocation of funds to eligible projects was based on a three-step process:

1. The amount of financial assistance needed for each application was estimated;
2. The sources and spending limits for all DWSRF funds were identified; and
3. The DWSRF funds were allocated among the projects, consistent with the amount available and the financial assistance needed.

Information pertinent to each DWSRF project is contained in Chart 1.

B. SOURCES AND USES OF AVAILABLE DWSRF FUNDS

The DWSRF was restructured in 2001 to provide better financial management including greater program efficiency and new opportunities. Appendix A to the Intended Use Plan illustrates the sources and uses of funds in the DWSRF as of July 1, 2003. A description of each fund in the DWSRF is summarized in Appendix A-1. The project needs total in Chart 1 reflects all unfunded needs.

The Construction Fund receives bond proceeds and is available for loans based upon each year's IUP. Capitalization grant draws are deposited into the Equity Fund or the Reserve Fund when loan outlays are made to CWSRF or DWSRF recipients. A new Deficiency Fund screens balances in the Revenue Fund (from loan repayments) and the Reserve Fund. Balances not needed for transfer to the Bond Fund for state bond retirement are placed in the Equity Fund. Moneys in the Equity Fund are therefore not pledged to bonds and therefore have no constraints on uses relative to the state bond issues. The Equity Fund is therefore available for loans and is not restricted to the types of loans identified in the bonds.

The Deficiency Fund is also a point of potential interconnection with the Clean Water State Revolving Fund (CWSRF). In the restructuring of the funds in 2001, the bond issues were cross-collateralized. The access point for any bond cross-collateralization needs is the Deficiency Fund for both the Clean Water and Drinking Water SRFs. Should loan defaults or other shortages occur in either SRF so that balances in the Bond Fund become deficient beyond the ability of that SRF to address, the bond issue has the collateral of both programs from which to draw.

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A decision to leverage DWSRF funds can be made each year as part of the bond sale process. Issuing bonds in excess of the minimum State match requirement results in an increased Construction Fund balance. A decision to leverage is made at the time of each bond sale and is based on current loan demand, anticipated loan needs and the benefit to the SRF fund.

Appendix A shows the total funds available for loan use as \$75,366,912. Chart 1 shows total loan needs for FY 2004 (Chart 1, Parts 1 through 4) to be \$103,081,000. This leaves a difference of \$27,714,088 that will likely be funded through additional leveraging. A portion of the difference could also consist of funds transferred from the CWSRF.

C. DWSRF POLICIES

1. Loan Interest Rate

The interest rate for all loans made through the DWSRF in FY 2004 will be determined in accordance with state rules (see 567 IAC—44.14). As part of the State's restructuring effort, state rule amendments effective November 19, 2001 provide a fixed interest rate for loans. Loans executed after this date will have a fixed interest rate of 3 percent. Adjustments to this interest rate to meet future needs will require a rule change.

2. Maximum Loan

Iowa rules limit the maximum loan to any applicant in one year to no more than 50% of the available funds in that year. No project on the FY 2004 IUP is anticipated to be limited by this provision.

3. Project Readiness

Applicants cannot be offered assistance until they meet program requirements. Based on the environmental reviews that have been conducted on funded projects to date, it is not anticipated that any of these projects will need to undergo the development of an Environmental Impact Statement (EIS).

4. Funding Limitations

Pending loans identified in this IUP exceed the available funds in the DWSRF program. As a result, the Department expects to leverage during FY 2004. If necessary, lowest priority projects on Chart 1 may be transferred to the contingency list, Chart 2.

D. INTENDED USE OF SET-ASIDES

1. DWSRF Program Administration Set-Aside

Iowa does not intend to take this set-aside to pay the costs of administering the State Revolving Fund loan program in FY2004. This set-aside has been taken in each of the fiscal years between 1997 and 2003, and Chart 1, Part 5

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shows set-aside amounts and the balance of unspent funds for each year. Uses of these funds may include loan portfolio management, debt issuance, financial, management and legal consulting fees, an assessment of the project priority needs and ranking, costs for conducting public hearings and the proposed project list, project technical and environmental review, work on current and future needs surveys, project initiation conference costs, Department review of credit worthiness and related support services.

The annual budgets for program administration have been less than the 4% allowed by the DWSRF for administrative costs. Unused commitments are reserved for use in future years as necessary should capitalization grants be reduced or actual costs increase.

2. Small System Technical Assistance Set-Aside

Iowa intends to use DWSRF funds equivalent to 2% of the federal capitalization grant funds to provide technical assistance to public water supplies serving populations of less than 10,000. Based on Iowa's FY 2004 estimated allotment, the state is projected to have approximately \$306,708 available for FY 2004 for the provision of technical assistance to small systems. The Department may contract with technical assistance providers possessing expertise in dealing with small systems, and contracts may utilize Department personnel and supplementary resources.

Chart 1, Part 6 shows FY 97-03 small systems technical set-aside amounts and the balance of unspent funds for each year. The annual budgets for technical assistance to small systems have been less than the 2% allowed for this program because state budget constraints during the past few years have forced the Department to retain these funds in the event that they had to be used to fund the technical assistance activities of Department staff.

The Department issued a request for technical assistance proposals during 2002 and elected to fund a total of five projects this set-aside. The projects include a continuing contract to provide hands-on assistance to systems completing their consumer confidence reports, two contracts to assist small systems in developing wellhead protection programs, a continuing contract to fund on-site technical assistance to systems in need of capacity development, and a value engineering project related to DWSRF projects. Another request for proposals is expected to be issued in FY 2004.

3. State Program Support Set-Aside

Iowa does not intend to take this set-aside for the public water system supervision program during FY 2004. This set-aside was taken during FY 2001, but was not fully utilized because the requirement for state matching funds could not be met. The FY 2001 set-aside and balance of unspent funds is shown in Chart 1, Part 7. As the Department works to secure a sustainable source of funding, it is anticipated that the required match will be available and that the funds previously set aside will be drawn down in FY 2004 (\$518,000), 2005 (\$350,000), and 2006 (\$361,000). Iowa does not intend to apply for this set-aside again until at least FY 2007.

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4. Source Water Protection Implementation Set-Aside

The Department intends to take \$15,000 of the FY 2004 capitalization grant to provide a loan to purchase land in the City of Rock Rapids' source water protection area from a willing seller, as allowed by Sec. 1452(k)(1)(A)(1). A set-aside of \$350,000 was taken in FY 2003 to develop an interactive internet site for use by public water supplies, consultants, and the public pursuing local source water protection information, as allowed by Sec 1452(k)(1)(D). The contract for this project was not signed during FY 2003, but is anticipated during the first half of FY 2004. Chart 1, Part 8 shows FY 97-03 source water protection implementation set-aside amounts and the balance of unspent funds for each year.

Set-aside funds committed in FY 1998 to fund the delineation and assessment of source water protection areas are currently being drawn for this purpose. On May 1, 2003, the Department transferred the balance of this account to the set aside described in Sec. 1452(k)(1)(D) so that assessment activities could continue through December 31, 2003.

E. PLAN FOR EFFICIENT AND TIMELY USE OF SRF FUNDS

As noted in V.C.4. above, the Department expects to leverage in FY 2004 because project needs exceed the amount of funds available from the capitalization grants, state match funds, and funds remaining in the Construction and Equity Funds.

As shown in Appendix A, "DWSRF Fund Sources and Uses," \$15,744,091 is available in the uncommitted portion of the Construction Fund and \$59,622,821 is available in the Equity Fund. This makes the total amount available for loans \$75,366,912. The total amount necessary for uncommitted FY 1998-2003 projects and new FY 2004 projects is \$103,081,000. The difference between available funds and project requests is \$27,714,088. It is anticipated this difference will be made up with leveraged funds and possibly through a transfer from the CWSRF.

F. TRANSFERS

The Department transferred the maximum allowed for FY 1999-2002 (\$16.8M) from the CW to the DWSRF in FY 2003. Once the capitalization grants for FY 2003 and 2004 are received, IDNR may also transfer 33% of the 2003 and 2004 DWSRF grants from the CW to the DWSRF.

Transferred funds will consist of principal and interest repayments and will not include federal funds or state match money. Funds are being transferred at the suggestion of EPA because of concerns regarding the large amount of money being held in the CWSRF Equity Fund. Since the demand for DWSRF loans has exceeded the amount of the capitalization grant and state match, it is in the best interest of both programs to transfer funds to the DWSRF to minimize leveraging the DWSRF and to expend CWSRF funds in a more timely manner.

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The transfer will provide additional funds to the DWSRF to be used for loans. There will be no change to the set-asides because of the this transfer since the transferred funds will not include federal or state match. No long-term impact on the fund is anticipated.

VI. ASSURANCES AND SPECIFIC PROPOSALS

Iowa will provide the necessary assurances and certifications according to the Operating Agreement between the State of Iowa and the U.S. EPA. Iowa's Operating Agreement includes the requirements of the Safe Drinking Water Act, outlined below:

- **Environmental Reviews**
The State of Iowa will conduct environmental reviews as specified in the Project Review procedures attached to the Operating Agreement and program rules as outlined in Chapter 44 of Part 567 of the Iowa Administrative Code.
- **Binding Commitments**
The State of Iowa will enter into binding commitments for 120% of each quarterly payment within one year of receipt of that payment.
- **Expeditious and Timely Expenditures**
The State of Iowa will expend all funds in the DWSRF in a timely and expeditious manner. The State of Iowa is committed to manage DWSRF projects and process disbursement requests expeditiously.

All projects and activities supported by federal grants are required to comply with certain federal laws and executive orders dealing with environmental and socio-economic criteria, commonly called "cross-cutters." The Department is required to assure that projects funded in an amount equal to the capitalization grant meet these cross-cutters. Iowa will meet the cross-cutter requirements using state technical review regulations and procedures outlined in Chapter 44 of the Iowa Administrative Code, Part 567.

VII. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

The following approach was used to develop Iowa's proposed distribution of DWSRF funds: (1) analysis of the priority of communities applying and financial assistance needed; (2) identification of the sources and spending limits of available funds; (3) allocation of funds among projects; (4) development of a payment schedule which will provide for making timely binding commitments to the projects selected for DWSRF assistance; and (5) development of a disbursement schedule to pay the project costs as incurred.

A. PRIORITY OF COMMUNITIES AND FINANCIAL ASSISTANCE NEEDED

Iowa law provides only for loan assistance. The state's DWSRF rules identify the priority rating system used to establish priorities for loan assistance. Charts 1 and 2 become the state's Project Priority List.

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Projects are considered only for loan financing assistance for project costs incurred after the date of approval of an Intended Use Plan, which contains the project on a list for DWSRF assistance.

B. ALLOCATION OF FUNDS AMONG PROJECTS

All projects listed in Charts 1 and 2 are eligible for assistance and may be funded from the DWSRF subject to available funds.

All projects scheduled for funding with Iowa's DWSRF will be reviewed for consistency with the Safe Drinking Water Act, as amended. Should a project fail to meet this review criterion, it may be bypassed and deleted from the funding list. Chart 2 provides for contingency projects, which may be considered for loan assistance as bypass projects according to state rules without formal amendment of this IUP. Projects may be added to Chart 2 in priority order as applications are received.

VIII. METHOD OF AMENDMENT OF THE INTENDED USE PLAN

The State will follow this IUP in administering DWSRF funds in FY 2004. The IUP must be subjected to public review and comment. Any revisions of the goals, policies and method of distribution of funds must be addressed by a revision of the IUP, including public participation. Minor adjustments in funding schedules, loan amounts, and use of bypass provisions including funding of projects on the contingency list are allowed by the procedures of this IUP and state rules for administration of the DWSRF without public notification. Adjustments to Chart 1 to utilize actual funds available to the DWSRF for FY 2004 will be considered minor and only affected applicants will be notified. Public notice of amendments will be made if municipalities are added to or removed from Charts 1 or 2.

IX. PUBLIC REVIEW AND COMMENT

The Department of Natural Resources held a public hearing on November 19, 2003 at the Water Supply Offices in Des Moines, Iowa to allow input to Iowa's FY 2004 Intended Use Plan and Project Priority List. The Department published notice of the hearing in the Iowa Administrative Bulletin. The public comment period remained open for ten days following the hearings; no comments were received.

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Chart 1: FY 2004 Intended Use Plan Projects – Specific Information

Chart 1 Part 1: FY98 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Ainsworth	FS-92-98-DWSRF-076	530	11/03	11/00	05/04	110	A, B, C, E

Part 1 Total 530

Chart 1 Part 2: FY01 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Constructio n Start Date	Initiate Operation Date	Priority Points	Type of Project
Tiffin	FS-52-01-DWSRF-022	1,312	01/04	03/04	04/05	60	B, D, E

Part 2 Total 1,312

A = Water Quality and Human Health Risk-Related Criteria, B = Infrastructure and Engineering-Related Improvement, C = Affordability Criteria, D = Special Category Improvements, E = Project Serves Population less than 10,000

Chart 1 Part 3: FY02-03 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Sioux City	FS-97-01-DWSRF-016	11,264	12/03	02/02	03/04	75	A, B
Dunlap	FS-43-02-DWSRF-012	152	12/03	03/04	10/04	55	B, C, E
Calmar	FS-96-02-DWSRF-061	793	04/04	05/04	05/05	55	B, C, E
Lone Tree	FS-52-02-DWSRF-050	986	08/03	04/03	02/04	55	B, C, E
Breda	FS-14-02-DWSRF-048	310	12/03	03/04	03/05	50	B, C, E
Bancroft	FS-55-02-DWSRF-055	600	10/03	06/03	05/04	50	B, C, E
Neola	FS-78-02-DWSRF-010	350	02/04	04/04	11/04	50	B, C, E
Gilbert	FS-85-02-DWSRF-047	150	12/03	03/04	08/04	45	B, E
Jewell	FS-40-02-DWSRF-051	1,223	01/04	06/04	10/05	45	B, E
Alton	FS-84-02-DWSRF-023	125	10/03	08/03	05/04	40	B, C, E
LeMars	FS-75-02-DWSRF-064	11,620	12/03	10/03	06/05	40	B, E

Chart 1 Part 3: FY02-03 Drinking Water Projects, continued

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Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Pocahontas	FS-76-02-DWSRF-044	1,970	03/04	05/04	11/05	40	B, E
Wahpeton	FS-30-02-DWSRF-054	1,536	12/03	09/03	03/05	40	B, E
Kalona	FS-92-02-DWSRF-046	1,367	08/03	09/03	12/04	30	B, E
Alleman	FS-77-02-DWSRF-059	693	03/04	05/04	02/05	30	B, E
Fort Dodge	FS-94-02-DWSRF-058	8,633	01/04	03/04	01/06	20	B
IA-American Clinton	FS-23-02-DWSRF-062	411	01/04	04/04	11/04	15	D
DeWitt	FS-23-01-DWSRF-019	100	08/03	08/02	08/03	70	F
Delmar	FS-28-03-DWSRF-001	1,140	03/04	06/04	08/05	55	B, C, E
Van Horne	FS-06-03-DWSRF-007	420	01/04	03/04	01/05	55	B, C, E
West Branch	FS-16-03-DWSRF-015	2,600	04/04	06/04	03/06	55	B, C, E
Rockwell City	FS-13-03-DWSRF-013	466	03/04	05/04	05/05	50	B, C, E
Winfield	FS-44-03-DWSRF-014	1,375	04/04	06/04	08/05	50	B, D, E
Asbury	FS-31-03-DWSRF-010	1,750	12/03	01/04	01/04	45	B, E
Aurelia	FS-18-03-DWSRF-006	159	01/04	03/04	09/04	45	B, E
Cambridge	FS-85-03-DWSRF-012	610	02/04	05/04	04/05	45	B, C
Delhi	FS-28-03-DWSRF-017	116	01/04	04/04	10/04	45	B, E
Charlotte	FS-23-03-DWSRF-018	833	04/04	05/04	06/05	40	B, C, E
Corydon	FS-93-03-DWSRF-016	1,847	03/04	06/04	11/05	40	B, C, E
Elkader	FS-22-03-DWSRF-008	2,033	02/04	07/04	01/06	40	B, C, E
Farmersburg	FS-22-03-DWSRF-002	435	01/04	04/04	01/05	40	B, C, E
Griswold	FS-15-03-DWSRF-004	250	11/03	03/04	10/04	40	B, C, E
Storm Lake	FS-11-03-DWSRF-003	7,500	08/03	12/02	09/04	35	B, D
Goose Lake	FS-23-03-DWSRF-011	542	03/04	05/04	01/05	30	B, E

Part 3 Total 64,359

A = Water Quality and Human Health Risk-Related Criteria, B = Infrastructure and Engineering-Related Improvement, C = Affordability Criteria, D = Special Category Improvements, E = Project Serves Population less than 10,000, F = Supplemental Loan for Previously Approved Project

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Chart 1 Part 4: FY04 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Ionia	FS-19-04-DWSRF-004	85	03/04	06/04	12/05	70	A, B, C, E
Maquoketa	FS-49-04-DWSRF-013	2,500	03/04	06/04	12/05	70	A, C, E
Ottumwa	FS-90-04-DWSRF-017	12,166	03/04	06/04	12/05	60	B, C, D
Rock Rapids*	FS-60-04-DWSRF-007	54*	03/04	06/04	12/05	60	B, D, E
Bancroft	FS-55-04-DWSRF-030	183	03/04	06/04	12/05	55	B, C, E
Braddyville	FS-73-04-DWSRF-015	222	03/04	06/04	12/05	55	B, C, E
Elma	FS-45-04-DWSRF-005	325	03/04	06/04	12/05	55	B, C, E
Exira	FS-05-04-DWSRF-009	563	03/04	06/04	12/05	55	B, C, E
Grand Mound	FS-23-04-DWSRF-029	480	03/04	06/04	12/05	55	B, C, E
Mitchellville	FS-77-04-DWSRF-002	2,230	03/04	06/04	12/05	55	B, C, E
Riverton	FS-36-04-DWSRF-014	113	03/04	06/04	12/05	55	B, C, E
Leon	FS-27-04-DWSRF-003	998	03/04	06/04	12/05	50	B, C, E
Richland	FS-54-04-DWSRF-008	730	03/04	06/04	12/05	50	B, C, E
Asbury	FS-31-04-DWSRF-021	500	03/04	06/04	12/05	45	B, E
Burds Green Acres	FS-31-04-DWSRF-024	84	03/04	06/04	12/05	45	B, E
Lansing	FS-03-04-DWSRF-025	332	03/04	06/04	12/05	45	B, E
Milford Municipal Utilities	FS-30-04-DWSRF-020	3,193	03/04	06/04	12/05	45	B, E
Nevada	FS-85-04-DWSRF-022	5,834	03/04	06/04	12/05	45	B, E
Albia	FS-68-04-DWSRF-012	1,086	03/04	06/04	12/05	40	B, C, E
Delta	FS-54-04-DWSRF-001	218	03/04	06/04	12/05	40	B, C, E
Early	FS-81-04-DWSRF-006	362	03/04	06/04	12/05	40	B, C, E
Farmington	FS-89-04-DWSRF-018	340	03/04	06/04	12/05	40	B, C, E
Farragut	FS-36-04-DWSRF-016	339	03/04	06/04	12/05	40	B, C, E
Glidden	FS-14-04-DWSRF-027	850	03/04	06/04	12/05	40	B, C, E
Gowrie	FS-94-04-DWSRF-023	695	03/04	06/04	12/05	40	B, C, E
Vail	FS-24-04-DWSRF-019	333	03/04	06/04	12/05	40	B, C, E
Panora**	FS-39-04-DWSRF-026	2,065	03/04	06/04	12/05	30	B, E

*Additional \$125,000 loan will be made for land purchase out of the Source Water Protection Set Aside. See Chart 1 Part 8.

**Project is still undergoing evaluation and may be dropped.

Part 4 Total 36,880

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A = Water Quality and Human Health Risk-Related Criteria, B = Infrastructure and Engineering-Related Improvement, C = Affordability Criteria, D = Special Category Improvements, E = Project Serves Population less than 10,000, F = Supplemental Loan for Previously Approved Project

Chart 1 Part 5: Program Administration Set-Aside

	Amount Set Aside (\$1,000)		Balance Remaining (\$1,000)
PGM-ADM (97)	674		109
PGM-ADM (98)	449		449
PGM-ADM (99)	471		421
PGM-ADM (00)	490		490
PGM-ADM (01)	491		491
PGM-ADM (02)	591		591
PGM-ADM (03)	591		591

Part 5 Total 3,757 3,142

Chart 1 Part 6 Small Systems Technical Assistance Set-Aside

	Amount Set Aside (\$1,000)		Balance Remaining (\$1,000)
PGM-SSTA (97)	337		0
PGM-SSTA (98)	225		0
PGM-SSTA (99)	236		0
PGM-SSTA (00)	245		194
PGM-SSTA (01)	246		246
PGM-SSTA (02)	296		296
PGM-SSTA (03)	296		296
PGM-SSTA (04)	307		307

Part 6 Total 2,188 1,339

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Chart 1 Part 7: State Program Set-Aside

Project Name Community Served	Amount Set Aside (\$1,000)		Balance Remaining (\$1,000)
PGM-PWSS (01)	1,229		1,201

Part 7 Total 1,229 1,201

Chart 1 Part 8: Source Water Protection Set-Aside

Project Name Community Served	Amount Set Aside (\$1,000)		Balance Remaining (\$1,000)
PGM-SWP (97)	1,686		296
PGM-SWP (02)	40		0
PGM-SWP (03)	350		350

Part 8 Total 2,076 646

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Chart 2: FY 2002-2003 Intended Use Plan Contingency Projects – Specific Information

Chart 2 Part 1: FY 02-03 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date

Part 1 Total

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APPENDIX A

DWSRF FUND SOURCES AND USES

SOURCES:

Prior Bond Proceeds	43,181,488
Series 2004 Net Bond Proceeds	3,067,080
Undisbursed Capitalization Grants	17,415,894
Pending 2003 Capitalization Grant	14,695,700
Pending 2004 Capitalization Grant	15,335,400
Equity Fund	24,801,716
TOTAL	118,497,278

USES:

Construction Fund loans - undisbursed	30,504,477
Construction Fund loans - uncommitted	15,744,091
Equity Fund loans - undisbursed	-
Equity Fund loans - uncommitted	59,622,821
Reserve Fund	6,184,512
Program Set-Asides/Administration	6,441,377
TOTAL	118,497,278

(Total amount available for loans = \$75,633,912)

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APPENDIX A-1

DESIGNATED FUND USES

MASTER TRUST AGREEMENT

EQUITY FUND

The Drinking Water Account of the Equity Fund shall receive:

1. Grant proceeds pursuant to a Capitalization Grant Agreement for the Drinking Water Program, and
2. Amounts transferred from the Drinking Water Account of the Deficiency Fund, and
3. Investment earnings from certain Drinking Water Accounts in the Master Trust, and
4. All loan principal and interest payments received for loans made from the Drinking Water Account of the Equity Fund, including prepayments but excluding repayments on loans transferred to a Series of Bonds.

The Drinking Water Account of the Equity Fund shall be used for the following actions:

1. To originate a loan agreement with a Drinking Water participant for project costs and subsequently disburse funds to the participant, or
2. To transfer for deposit in a Reserve Account established under a Series of Bonds issued for the Drinking Water Program, or
3. To transfer or disburse funds and enter into loan agreements for any other purposes, programs or undertakings that may be authorized by the Safe Drinking Water Act and rules enacted by DNR with respect to the Drinking Water Program.

DEFICIENCY FUND

The Drinking Water account of the Deficiency Fund shall receive:

1. All amounts released by a Bond Indenture Trustee with respect to a Series of Bonds issued for the Drinking Water Program.

The Drinking Water Account of the Deficiency Fund shall be used for the following actions on each interest payment due:

1. To transfer an amount certified by a Bond Indenture Trustee necessary to make the debt service payment due for a Series of Bonds issued for the Drinking Water Program, and next
2. To transfer an amount certified by a Bond Indenture Trustee necessary to make the debt service payment due for a Series of Bonds issued for the Clean Water program, and next
3. To set aside and hold an amount certified by a Bond Indenture Trustee necessary to replenish any deficiency in a Reserve Account for a Series of Bonds issued for the Drinking Water Program until notified that said Reserve Account has been replenished, and next
4. To set aside and hold an amount certified by a Bond indenture Trustee necessary to replenish any deficiency in a Reserve Account for a Series of Bonds issued for the Clean Water Program until notified that said Reserve Account has been replenished, and next

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5. To transfer and replenish the Clean Water Account of the Deficiency Fund any amounts previously advanced for the benefit of a Series of Bonds issued for the Drinking Water Program, and next
6. To withdraw and deposit any remaining amounts in the Drinking Water Account of the Equity Fund.

STATE ADMINISTRATION FUND

The Drinking Water Account of the State Administration Fund shall receive payments of all loan initiation fees and servicing fees from Drinking Water participants.

The Drinking Water Account of the State Administration Fund shall be expended and disbursed for the payment of the administrative costs of the Drinking Water Program, or for other purposes permitted under the Safe Drinking Water Act.

SET-ASIDE FUND

The Drinking Water Account of the Set-Aside Funds shall receive amounts available under one or more of the Capitalization Grant Agreements and the state match portion from a Series of Bonds.

The Drinking Water Account of the Set-Aside Funds shall be expended and disbursed for the payment of the administrative costs of the Drinking Water Program, technical assistance for small systems, supervision of the public water system program, source water protection activities, or other purposes permitted under the Safe Drinking Water Act.

BOND INDENTURE

BOND FUND

The DWSRF Account of the Bond Fund shall be used solely for the payment of the principal and interest on a Series of Bonds issued under the Drinking Water Program.

REVENUE FUND

The DWSRF Revenue Account of the Revenue Fund shall be used to collect revenues paid to the Authority under the Loan and Disbursement Agreements for the Drinking Water Program, plus investment income from the investment of moneys within certain funds and accounts created under the Indenture. The Trustee may transfer amounts sufficient to pay the principal and interest on a Series of Bonds when due to the applicable accounts of the DWSRF Account of the Bond Fund. The Trustee may also make monthly transfers to the DWSRF Reserve Account of the Reserve Fund if the amount on deposit is less than the reserve requirement, or to the DWSRF Rebate Fund. Principal amounts received from Drinking Water participants, due to an optional redemption of all or a portion of the Loan Agreement, may be transferred to the Construction Fund for the purpose of making loans to other Drinking Water participants or transferred to the Master Trustee for deposit in the Drinking Water Account of the Deficiency Fund.

The Administration Subaccount of the DWSRF Account of the Revenue Fund initially receives all initiation fees and servicing fees for transfer to the Master Trustee.

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CONSTRUCTION FUND

The proceeds from a Series of Bonds issued under the Drinking Water Program, less any accrued interest, cost of issuance moneys, and the state match portion of the administration set-aside, shall be deposited in the DWSRF Loan Account of the Construction Fund to be expended and disbursed for loans to finance projects undertaken by Drinking Water participants.

RESERVE FUND

The DWSRF Reserve Account of the Reserve Fund is a debt service to secure the leveraged portion of bonds using federal capitalization grant moneys. The Trustee may transfer moneys to the leveraged DWSRF subaccounts of the Bond Fund if funds on deposit are insufficient to pay the leveraged debt service when due. If the amount on deposit in the DWSRF Reserve Account is less than required, the Trustee may transfer moneys from the Revenue Fund or by the Master Trustee from the Deficiency Fund established under the Master Trust Agreement. If at any time the amount on deposit in the DWSRF Reserve Account is greater than required, any excess shall be released from the Reserve Fund and transferred to the Deficiency Fund.

COST OF ISSUANCE FUND

Moneys in the DWSRF Cost of Issuance Account of the Cost of Issuance Fund from proceeds of a Series of Bonds shall be expended and disbursed solely for payment of the costs of issuance of the bonds. Any excess moneys shall be transferred to the Bond Fund, or to another fund or account specified by the Authority.

REBATE FUND

The Trustee shall deposit into the DWSRF Rebate Fund the amounts specified by the Authority from the DWSRF Interest Subaccount of the DWSRF Revenue Account of the Revenue Fund. Amounts on deposit in the DWSRF Rebate Fund may be used solely to make payments to the United States of America and to pay or reimburse allowable costs related to the calculation of the amounts due. Any excess moneys shall be returned to the Interest Subaccount of the DWSRF Revenue Account.

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APPENDIX B

FY 02-03 PROJECT PRIORITY RANKING LIST

Project Pool	Applicants	Priority Points
Segmented Prior to 7/1/2003	Sioux City 03	75
	Ainsworth	110
	Tiffin	60
	DeWitt	70
	Delmar	55
	Dunlap	55
	Calmar	55
	Lone Tree	55
	Van Horne	55
	West Branch	55
	Breda	50
	Bancroft	50
	Neola	50
	Rockwell City	50
	Winfield	50
	Asbury	45
	Aurelia	45
	Cambridge	45
	Delhi	45
	Jewell	45
	Gilbert	45
	Charlotte	40
	Corydon	40
	Elkader	40
	Farmersburg	40
	LeMars	40
	Pocahontas	40
	Wahpeton	40
	Alton	40
	Storm Lake	35
	Griswold	30
	Goose Lake	30
	Kalona	30
	Alleman	30
	Fort Dodge	20
	IA-American Clinton	15

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After 7/1/2003

Ionia	70
Maquoketa	70
Ottumwa	60
Rock Rapids	60
Bancroft	55
Braddyville	55
Elma	55
Exira	55
Grand Mound	55
Mitchellville	55
Riverton	55
Leon	50
Richland	50
Asbury	45
Burds Green Acres	45
Lansing	45
Milford Municipal Utilities	45
Nevada	45
Albia	40
Delta	40
Early	40
Farmington	40
Farragut	40
Glidden	40
Gowrie	40
Vail	40
Panora	30

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APPENDIX B-1

PROCEDURES TO DETERMINE PROJECT PRIORITY LIST

Project rankings were determined by the following procedures:

- Eligibility of applications were determined by needs criteria identified in IAC 567—44.7(8). In general, most water source, treatment and distribution system improvements are considered eligible.
- Project applications received during the FY 2004 application period were considered for funding in FY 2004; if not funded by the end of FY 2004, these projects will be moved to the FY 2005 project priority list.
- The priority ranking is a total score developed using the scoring criteria listed in IAC 567—44.7(8). Points may be gained in each of five categories: Water Quality and Human Health Risk-Related Criteria (60 point maximum), Infrastructure and Engineering-Related Improvement Criteria (35 point maximum), Affordability Criteria (10 point maximum), Special Category Improvements (15 point maximum), and IDNR Adjustment Factor for Population (10 points). The combined score provides a numerical measure to rank each project within its pool. A project with a larger number receives higher priority.
- The final project priority list for a fiscal year's project pool is compiled in the following manner: Subsequent segments of projects funded by DWSRF loan programs of previous years will retain their original score and be added to the list of the current year's applications.
- Loan-eligible projects submitted after the year's IUP has been approved will be placed on the FY 2005 IUP.
- Projects on the project priority list will be added to the contingency project list if the total amount of needs exceeds the year's DWSRF staff resources capability and loan funding. Projects will be funded from the top down in the ranking order of the project priority list. Projects are ranked similarly in the contingency project list. The top project in the contingency list can be moved to the funding list when funds are available. Funds can be made available due to a number of reasons including project bypasses, loan application withdrawal of other projects, reduction in loan amount requests, or an increase in available funds.

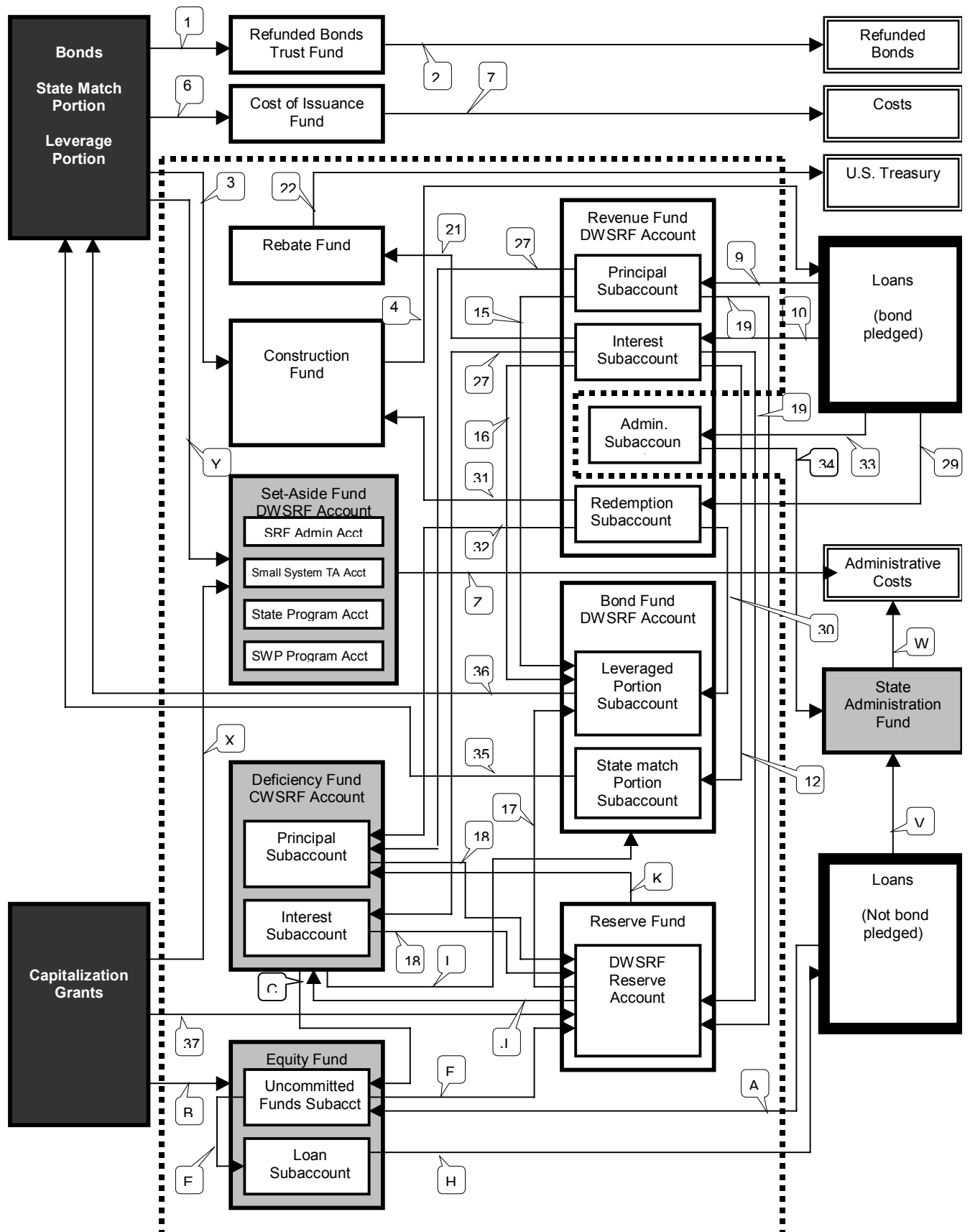
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APPENDIX C

IOWA DWSRF CASH FLOW DIAGRAM

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Iowa DWSRF Flow of Funds Diagram for Restructured SRF



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APPENDIX C-1

IOWA DWSRF CASH FLOW NARRATIVE

The Drinking Water SRF Flow Chart is shown. Major fund flow paths are shown. Not all routes described in the Master Trust Agreement and the Bond Indenture show on this chart. The CWSRF flow chart appears the same with proper labeling. The two SRF programs are operated independently. The only point of contact in their flow charts occurs in relationships provided for in the Master Trust Agreement among the Deficiency Fund, Bond Fund and the Reserve Fund due to cross-collateralization. Because of the complexity of cross-collateralization, details cannot be easily portrayed graphically.

For a review of cross-collateralization provisions in Iowa SRF bond documents refer to the Master Trust Agreement Section 305. The Master Trust Agreement describes the details of cross-collateralization that meet EPA requirements specifically in paragraphs “d” and “e” of Section 305.

The following key will enable the chart to be understood more easily and cross-referenced with bond documents. The document references will vary for the CWSRF, however are in adjacent sections of the documents.

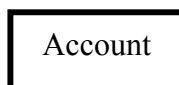
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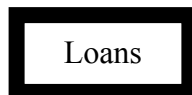
Money Sources



Master Trust Funds



Bond Indenture Funds



Primary Users



Irretrievable Use



Boundary of the Drinking Water State Revolving Fund.

Fund Flow Path Descriptions:

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Flow Path Callout	Indenture Reference Section/Line	Master Trust Reference Section
1	5.3/1	
2	5.3/6	
3	5.4/2	
4	5.4/5	
6	5.5/1	
7	5.5/5	
9	5.6/11	
10	5.6/13	
12	5.7/5	
15	5.7/9	
16	5.7/10	
17	5.7/13	
18	5.8(b)/9	
19	5.8(b)/3	
21	5.9/3	
22	5.9/4	
27	5.6/last sentence	See also 304(b), line 4
29	5.6/19	
30	5.6/21	
31	5.6/23	
32	5.6/25	
33	5.6/29	
34	5.6/31	
35	5.7(a)/7	
36	5.7(b)/5	
37	5.8(e)/5	
A		302(b)(1)
B		302(b)(2)
C		302(b)(3)
F		303(b)(1)
H		303(b)(3)
J		304(b), line 6
K	See also 5.8(c)/10	304(b), line 8
L		305(b)(1)
V		306, line 3
W		306, line 6
X		307, line 4
Y		307, line 8
Z		307, line 10